

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

January 13, 2011

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.: 10HD-120

Hawai'i

Issuance of Revocable Permit to Kahua Ranch Limited, Waiohinu & Kaunamano, Ka'u, Hawaii, Tax Map Key: 3rd/9-5-05:03 (portion), 9-5-13:01 (portion).

APPLICANT:

Kahua Ranch Limited, a Hawaii corporation.

LEGAL REFERENCE:

Sections 171-13 and -55, Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Waiohinu & Kaunamano, Ka'u, Hawaii, identified by Tax Map Key: 3rd/9-5-05:03 (portion), 9-5-13:01 (portion), as shown on the attached map labeled Exhibit A.

AREA:

TMK: 3rd/9-5-05:03 (portion) 96 acres, more or less.

TMK: 3rd/9-5-13:01 (portion) 45 acres, more or less.

ZONING:

State Land Use District: Agriculture
County of Hawai'i CZO: Ag-20A

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES

CURRENT USE STATUS:

Vacant and unencumbered.

CHARACTER OF USE:

Pasture purposes.

COMMENCEMENT DATE:

The first day of the month to be determined by the Chairperson.

MONTHLY RENTAL:

\$66 per month, based on staff appraisal dated November 24, 2010, attached as Exhibit B.

COLLATERAL SECURITY DEPOSIT:

Twice the monthly rental.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

See Exemption Notification attached as Exhibit C.

DCCA VERIFICATION:

Place of business registration confirmed:	YES <u>X</u>	NO <u> </u>
Registered business name confirmed:	YES <u>X</u>	NO <u> </u>
Applicant in good standing confirmed:	YES <u>X</u>	NO <u> </u>

REMARKS:

The subject parcels were previously encumbered by General Lease No. 3511 for sugar production to Hutchinson Sugar Company (HSC) from 1/01/1955 through to 12/31/1969. Following the expiration of the lease, HSC held the land under Revocable Permit No. S-4737, effective 1/01/1970. Subsequent to the issuance of the RP, HSC changed its name to Ka'u Sugar Company, Inc., then to Ka'u Agribusiness company, Inc. The permit was cancelled 12/31/1999.

Prior to the cancellation of the revocable permit, Ka'u Agribusiness had been allowing ranching to occur on portions of State and private lands while it transitioned out of the sugar business. Three of the ranchers using these lands requested continued use of the State land for ranching purposes and as a result, at its meeting of 4/12/2001, parcels 3rd/9-5-05:03 and 3rd/9-5-13:01 were portioned out to Daleico Ranch, Felix Ibarra and S & S Dairy, Inc. for pasture use. A smaller portion of the property was permitted to Sydney Andrade for intensive agriculture purposes.

The Applicant, (Kahua Ranch Limited) is requesting to lease that portion of the land previously encumbered by Daleico Ranch under RP S-7272 and encompassing approximately 141 acres more or less. The proposed pasture use is allowable in the county zoning, which is Agriculture 20A.

The Applicant has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

Kahua Ranch, Limited has been established in the ranching business on the Island of Hawaii since 1928. They currently ranch approximately 12,000 acres in the Kohala district and have recently begun ranching operations in Ka'u with the leasing of several hundred acres of private lands adjacent to the subject State lands.

Although there have been other applicants requesting use of this portion of State land including Felix Ibarra, Richard Souza and Paul Makuakane, staff feels Kahua Ranch is the most qualified based on their established history of ranching. Another applicant, David Kaawa III was recently approved by the Board for a month-to-month revocable permit to pasture a portion of 3rd/9-5-13:01 (11/22/10 Item D-5).

This property is being processed as a month-to-month revocable permit as it does not have a legal access from a public roadway and therefore does not qualify for a long-term lease at public auction.

In addition to the State lands Kahua Ranch Limited is requesting, they are leasing the privately held lands formerly utilized by Daleico Ranch for pasture adjacent to the subject property and have direct access to the otherwise land-locked property.

Request for comments were distributed to various government agencies and were returned with no negative comment or objection.


The HDLO staff believes this request and the intended use of these State lands should be exempted from the preparation of an environmental assessment because the intended use is consistent with past use of the property. Prior to the most recent pasture use, the land had been in sugar cultivation for many decades. Such use has resulted in no known significant impacts, whether immediate or cumulative, to the natural, environmental and/or cultural resources in the area. As such, staff believes that the proposed use would

involve negligible or no expansion or change in use of the subject area beyond that previously existing. Staff is however, recommending that both areas be fenced in to determine each boundary.

RECOMMENDATION: That the Board:

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
2. Authorize the issuance of a revocable permit to Kahua Ranch Limited covering the subject area for pasture purposes under the terms and conditions cited above, which are by this reference incorporated herein and further subject to the following:
 - a. The standard terms and conditions of the most current revocable permit form, as may be amended from time to time;
 - b. The Applicant shall be responsible for fencing both properties;
 - c. Review and approval by the Department of the Attorney General; and
 - d. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



Gordon C. Heit
Land Agent KEM

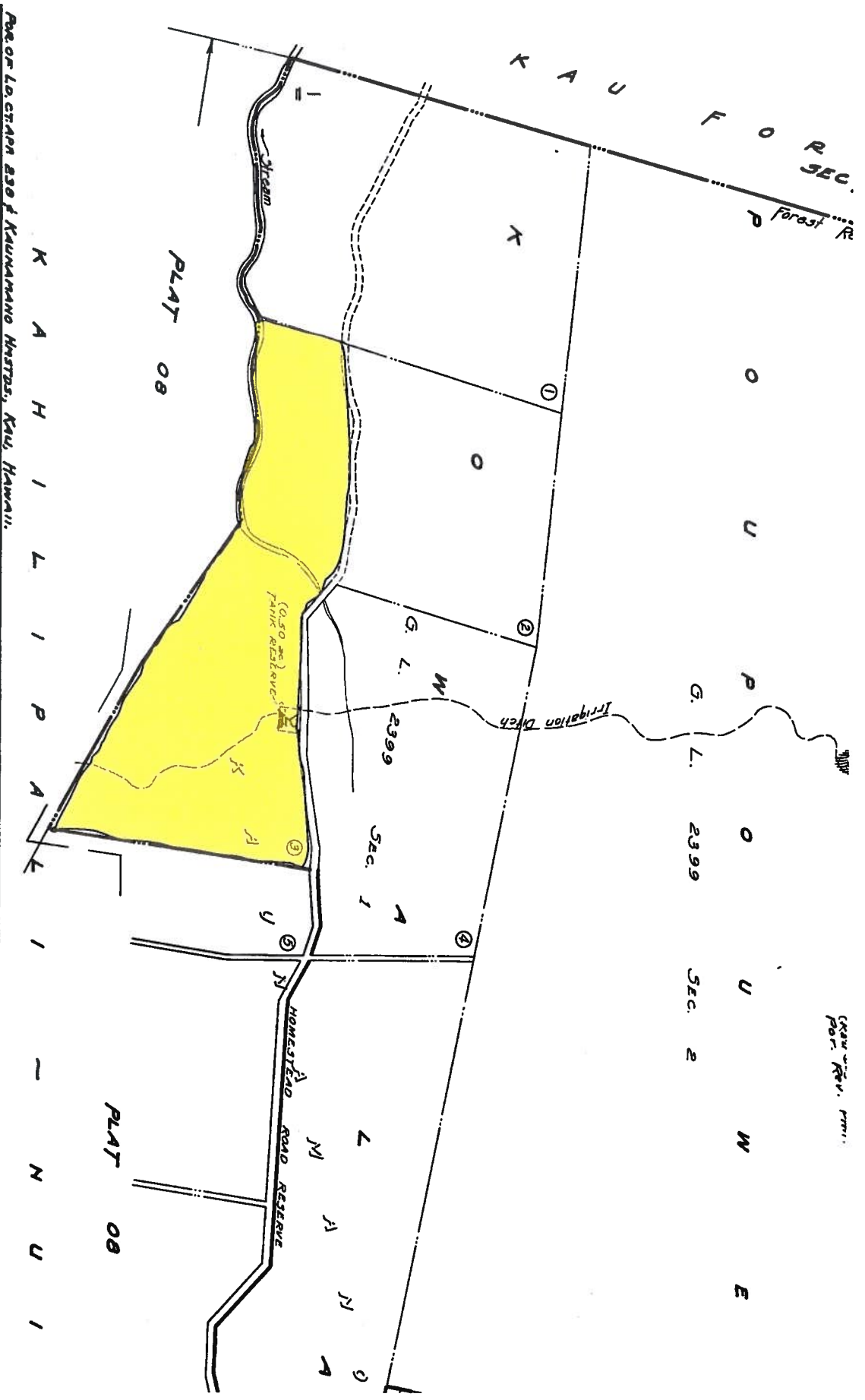
APPROVED FOR SUBMITTAL:



William J. Aila, Jr., Interim Chairperson

EXHIBIT A

TMK: 3RD/9-5-13:portion of 01



Part of Lot 2399 f. Kauunamano Heights, Kau, Hawaii.

EXHIBIT A

TMK: 3rd/9-5-05: portion of 03

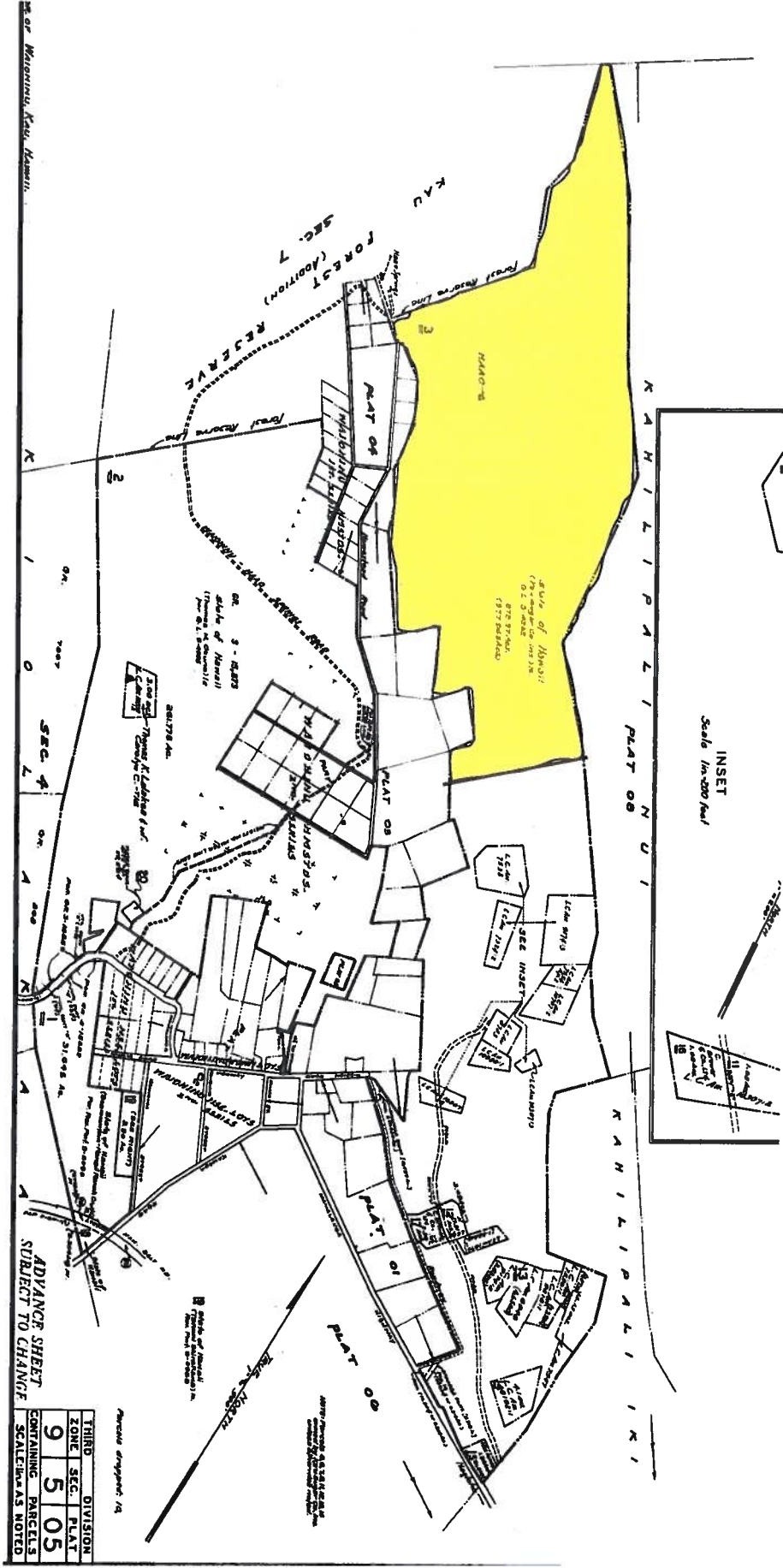


EXHIBIT A



COPY



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
LAND DIVISION**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

November 24, 2010

MEMORANDUM

TO: Laura H. Thielen, Chairperson *PJT*

THROUGH: Russell Y. Tsuji, Administrator

FROM: Cyrus C. Chen, Real Estate Appraisal Manager *Cyrus Chen*

SUBJECT: In-House Valuation Recommendation -- Revocable Permit for Pasture Purposes

Doc No.: 10HD-120
Applicant: Kahua Ranch Limited
Location: Waiohinu & Kaunamano, Ka'u, Hawaii
Land Area: 141 acres approximately
Tax Map Key: (3) 9-5-5: 3 por. and 9-5-13: 1 por.
Char. of Use: Pasture

We have been requested to provide a monthly rent amount for the issuance of a revocable permit for pasture purposes on the above-referenced property. This rent amount will be included in staff's submittal to the Board for approval of this permit and will not be effective unless such approval is received. A portion of TMK (3) 9-5-13: 1 is currently encumbered by Kuahiwi Contracting under RP S-7260, which contains an area of approximately 472 acres. Furthermore, a portion of the subject was formerly under RP S-7272 to Daleico Ranch. The applicant is currently leasing privately held pasture lands adjacent to the subject and thus has direct access to the otherwise landlocked property as the subject has no legal access. HDLO staff indicate the subject has no county water, sewer, telephone or power service and no county road servicing the property.

Research was conducted by reviewing the files of RP S-7260 and RP S-7272. Information from these files reveals an estimated animal unit carrying capacity of 10 acres per animal unit for those permits. HDLO staff indicates that the vegetation for the entire subject area is fairly similar. Staff assumes that an estimated carrying capacity of 10 acres per animal unit is reasonable.

DEC 7 2010

Based on an animal production formula for the subject acreage, we calculated the annual rent using a 14 AUW capacity:

Pasture Details	Usable Acreage	Capacity ¹	AUW
	141 ac. / 10 acres per cow	=	14
Average weight gain per animal per year in lbs.		x	300
Annual weight gain in lbs.			4,200
Average live weight price (3-yr. average) ²		x	\$0.75
Gross value of beef			\$3,150
Portion of gross profit to Lessor		x	25%
Gross annual rent			\$787.50
Rounded annual rent			\$788
Monthly rent (rounded)			\$66

¹Carrying capacity referenced in prior appraisal.

²Average live weight price (cents per pound) for Big Island derived from the *Statistics of Hawaiian Agriculture* average for the period 2006 to 2008, the most recent data available.

Year	Statewide	Big Is
2006	\$0.767	\$0.795
2007	\$0.724	\$0.760
2008	<u>\$0.677</u>	<u>\$0.696</u>
Average (rounded)	\$0.723	\$0.750

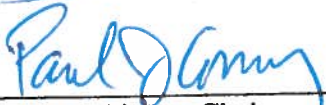
Therefore, as of the date of this document, the monthly rent for the revocable permit to the applicant is recommended to be \$66 per month.

Special Assumptions and Limiting Conditions

1) This rental valuation estimate is for internal purposes only. This document does not take the place of an appraisal and does not constitute an appraisal that adheres to the Uniform Standards of Professional Appraisal Practice.

2) The subject property was not inspected by the staff appraiser.

Approved/Disapproved:



Laura H. Thielen, Chairperson

11/25/10

Date

cc: District Branch Files
Central Files

NEIL ABERCROMBIE
GOVERNOR OF HAWAII



**STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621
HONOLULU, HAWAII 96809

WILLIAM J. AILA, JR.
INTERIM CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

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INTERIM FIRST DEPUTY

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FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAIROOLAWA ISLAND RESERVE COMMISSION
LAND
STATE PARKS

EXEMPTION NOTIFICATION

From the preparation of an environmental assessment under the authority of Chapter 343, HRS and Chapter 11-200, HAR

Project Title: Request for Revocable Permit to Kahua Ranch Limited, for Pasture Purposes.

Project Number: PSF No. 10HD-120

Project Location: Waiohinu & Kaunamano, Ka'u, Hawaii, Tax Map Key:3rd/9-5-05:03 (portion), 9-5-13:01 (portion).

Project Description: The requested parcel was previously leased on a month-to-month revocable permit for pasture purposes to Daleico Ranch as part of their cattle operation in the Ka'u area. They (Daleico) were leasing both State and the adjacent private lands for grazing. Kahua Ranch Limited took over their grazing rights in the area and is currently on the private land adjacent to the requested State lands.

Consulted Parties: None

Exemption Class No.: In accordance with the "Division of Land Management's Environmental Impact Statement Exemption List", approved by the Environmental Council and dated April 28, 1986, the subject request is exempt from the preparation of an environmental assessment under the following:

Exemption Class No. 1, which states, "Operations, repairs or maintenance of existing structures, facilities, equipment or topographical features, involving negligible or no expansion or change of use beyond that previously existing."

Recommendation:

It is anticipated this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.

William J. Aila, Jr., Interim Chairperson

Date